



即時科研集團有限公司*

Thiz Technology Group Limited

(incorporated in the Cayman Islands with limited liability)

First Quarterly Report 2001

* *For identification purposes only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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This report, for which the directors of Thiz Technology Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Thiz Technology Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

- The Group recorded a turnover of approximately HK\$2,566,000 for the three months ended 30th June, 2001.
- Loss attributable to shareholders was approximately HK\$1,496,000.
- The directors of the Company (the “Directors”) do not recommend the payment of an interim dividend for the three months ended 30th June, 2001.
- Successful listed the Company’s shares on 27th July, 2001.

RESULTS

The board of Directors (the “Board”) of Thiz Technology Group Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (together the “Group”) for the three months ended 30th June, 2001 together with the comparative unaudited figures for the corresponding period in 2000 as follows:

		For the three months ended 30th June,	
	<i>Note</i>	2001 HK\$'000	2000 HK\$'000
Turnover	2	2,566	31
Cost of sales		(2,007)	–
Gross profit		559	31
Other income		101	76
Operating expenses		(1,992)	(2,091)
Loss from operations		(1,332)	(1,984)
Share of loss of a jointly controlled entity	3	(162)	–
Loss before taxation		(1,494)	(1,984)
Taxation	4		
– Hong Kong		–	–
– Overseas		(2)	(2)
Loss for the period		(1,496)	(1,986)
Dividend		–	–
Loss per share			
– Basic (in cents)	5	(1.07)	(1.42)

Notes:

1. Group reorganisation and basis of preparation of consolidated income statements

The Company was incorporated in the Cayman Islands on 6th December, 2000 as an exempted company with limited liability under the Companies Law (2000 Revision).

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of the Company and its subsidiaries in the preparation for the listing of the Company’s shares on GEM, the Company issued shares in exchange for the entire issued share capital of Thiz Technology Group (BVI) Holdings Limited and its subsidiaries and thereby became the holding company of the Group on 5th July, 2001.

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 27th July, 2001.

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated income statements have been prepared as if the Company had always been the holding company of the Group. In the opinion of the Directors, the consolidated income statements prepared on the above basis present fairly the results of the Group as a whole.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

2. Turnover

Turnover represents the invoiced value of Linux related products sold, distribution income, Linux related services and Web design services rendered and commission income/invoiced value of computer products sold through e-commerce platforms, after allowances for returns and discounts.

3. Share of loss of a jointly controlled entity

The amount represents the share of loss of Thiz Grandmass ERP Systems Limited for the three months ended 30th June, 2001.

4. Taxation

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the three months ended 30th June, 2001 and 30th June, 2000.

A subsidiary of the Group, which was incorporated and operated in California of the United States of America, suffered losses during the periods. Accordingly, it was only required to pay the minimum California franchise tax during the periods in accordance with the relevant legislation. Overseas taxation represents the provision for such minimum California franchise tax.

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred tax in respect of the periods.

5. Loss per share

The calculation of basic loss per share for the three months ended 30th June, 2001 is based on the net loss attributable to shareholders of approximately HK\$1,496,000 (2000: net loss attributable to shareholders of HK\$1,986,000) and the assumption that 139,450,000 (2000: 139,450,000) ordinary shares had been in issue throughout the periods presented. No diluted loss per share is shown because there were no dilutive potential ordinary shares.

6. Reserves

There was no movement to or from reserves during the three months ended 30th June, 2001 and 30th June, 2000.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30th June, 2001 (2000: Nil).

BUSINESS REVIEW AND PROSPECTS

Business review

The Group is a developer and provider of a range of Linux operating systems, application systems run on Linux and related services such as software installation, training and education. The Company's shares were listed on GEM on 27th July, 2001 at an issue price of HK\$1.19 per share.

The Board is pleased to announce the Group's first quarterly results since its listing on GEM. During the three months ended 30th June, 2001, the turnover of the Group amounted to approximately HK\$2,566,000. The gross profit amounted to approximately HK\$559,000 while the loss attributable to shareholders amounted to approximately HK\$1,496,000 during this

period. The turnover and the gross profit during this period represented a 8177% increase and 1703% increase respectively while the loss attributable to shareholders represented a 25% decrease as compared to the same period in the previous financial year. The substantial increase in gross profit was resulted from the commencement of sales from the Group's Linux related business and other ancillary business activities after the completion of product development.

During the three months under review, the gross profit of the Group was mainly derived from the sale of ThizLinux, the Linux operating systems developed by the Group. The Group launched its first desktop version of ThizLinux in June 2000. The latest version of the desktop version of ThizLinux, namely ThizLinux desktop version 4.2, was launched in March 2001. ThizLinux server version, the Linux operating system for the server market developed by the Group, was also launched in the same month.

Besides the Linux operating systems, the Group also launched a low cost office application software which runs on both Linux and Microsoft Windows, namely "ThizOffice", in May 2001.

To cope with the market potential offered by the enforcement of certain provisions of the Intellectual Property (Miscellaneous Amendments) Ordinance 2000, the Group launched in March 2001 the program known as "Office Migration", which is a package of services offering the Group's Linux products together with software installation and network configuration services.

Prospects

The Group launched the beta version of ThizLinux@School, which is a desktop version of ThizLinux catering for schools. Promotional CDs have been sent to primary and secondary schools in Hong Kong. After getting feedback from users, the Group will enhance the features of this product and intends to launch the formal version during the six months ending 31st March, 2002.

Other than ThizLinux, the Group intends to develop a range of application systems which run on Linux with a number of software developers. Agreements or letters of intent have been signed with these software developers. The Group is now developing the Enterprise Resource Planning System to run on Linux. This software will be launched before 30th September, 2001.

The Group has signed various distribution agreements or letters of intent with distributors to distribute the Group's Linux products in the PRC, Taiwan and other Southeast Asian countries. The Directors expect that with the Company's listing status, the sales of Linux products in these countries will be promising.

The Directors expect that the turnover generated from offering Linux solution will increase after the launching of its new Linux products such as ThizLinux in other languages, Linux manual and Web application softwares run on Linux together with the increasing awareness of the use of Linux by the general public. Therefore, the Directors expect the remaining quarters of this financial year to be promising in terms of revenue and business development.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 27th July, 2001 (being the Listing Date), the interests of the Directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), were as follows:

	Number of ordinary shares held			
	Personal interest	Family interest	Corporate interest	Other interest
Mr. Wong Hoi Wong (“Mr. Albert Wong”)	—	—	—	83,442,500 (Note)
Mr. Li Sze Tang	40,535,000	—	—	—
Ms. Wanzi Huang	6,972,500	—	—	—

Note:

These 83,442,500 shares are held by Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust the objects of which include Mr. Albert Wong and his family and any charity in the world.

Save as disclosed above, none of the Directors had any personal, family, corporate or other interests in the share capital of the Company as recorded in the register required to be kept by the Company under Section 29 of the SDI Ordinance as at 27th July, 2001 (being the Listing Date).

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Under a share option scheme (the “Scheme”) adopted by the shareholders of the Company on 6th July, 2001, the Directors may at their discretion grant options to any full-time executive director or employee of a company within the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

As at 27th July, 2001 (being the Listing Date), no options had been granted or agreed to be granted under the Scheme.

As at 27th July, 2001 (being the Listing Date), none of the Directors (including their spouses and children under 18 years of age) had been granted or exercised, any rights to subscribe for shares in the Company.

SUBSTANTIAL SHAREHOLDERS

As at 27th July, 2001 (being the Listing Date), the following entity, not being a director or chief executive of the Company, had or was deemed to have interest of 10% or more in the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 16(1) of the SDI Ordinance.

	Number of ordinary shares held	Percentage of shareholding
Eaglemax International Investment Limited (<i>Note</i>)	83,442,500	50.43

Note:

These 83,442,500 shares are held by Eaglemax International Investment Limited, a company wholly owned by Intelligent Management Limited as the trustee of Intelligent Management Discretionary Trust, a family discretionary trust the objects of which include Mr. Albert Wong and his family and any charity in the world.

INTEREST OF THE SPONSOR

CSC Asia Limited (“CSC”) had entered into a sponsorship agreement with the Company whereby, for a fee, CSC will act as the Company’s continuing sponsor for the purpose of Chapter 6 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the period from 27th July, 2001 (being the Listing Date) to 31st March, 2004.

None of CSC, its directors, employees nor associates had any interests in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the group as at 27th July, 2001 (being the Listing Date).

COMPETING INTEREST

None of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competed or might compete with business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There were no purchases, sales or redemption of the Company's listed shares by the Company or any of its subsidiaries from 1st April, 2001 to 27th July, 2001 (being the Listing Date).

AUDIT COMMITTEE

The Company has established an audit committee in August 2001 with its written terms of reference being in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board.

The audit committee comprises two members, namely, Ms. Li Zhe and Mr. Kwok Ming Wa, both being independent non-executive Directors of the Company.

By Order of the Board
Sum Yan Ning
Company Secretary

Hong Kong, 14th August, 2001